



# **PRESS RELEASE**

**Internal Revenue Service - Criminal Investigation**  
**Cincinnati Field Office**  
*Special Agent in Charge Kathy A. Enstrom*

Date: Wednesday, March 25, 2015

Contact: Craig Casserly  
IRS – Criminal Investigation  
401 N. Front Street  
Columbus, Ohio 43215  
(614) 744-3130  
Craig.casserly@ci.irs.gov  
CI Release #: CINFO-2015-12

## **FORMER DELAWARE BUSINESS OWNER SENTENCED IN EMPLOYMENT TAX FRAUD CASE**

COLUMBUS, OHIO – David M. Eaton, 55, of Delaware, Ohio, was sentenced to 20 months in prison, three years of supervised release, and was ordered to pay \$1,232,770.47 in restitution to the Internal Revenue Service (IRS) for willfully failing to account for and pay over employment taxes to the IRS for the 2008 income tax year. Eaton previously pleaded guilty to this charge on November 5, 2014.

Carter M. Stewart, United States Attorney for the Southern District of Ohio and Kathy A. Enstrom, Special Agent in Charge, Internal Revenue Service Criminal Investigation, Cincinnati Field Office, announced the sentence handed down today by Senior U.S. District Judge George C. Smith.

According to court documents, between 1996 and 2011 David Eaton was the president and sole shareholder of Eaton Systems Consulting, Inc. Eaton was responsible for all of the company's management and financial operations, accounting and payroll duties, and tax obligations.

Eaton issued weekly payroll checks to employees from which federal income taxes and FICA taxes, more specifically Social Security and Medicare taxes, had been withheld. At the end of each year, Eaton issued Forms W-2 to each employee showing the appropriate amounts of the income tax withholdings.

Beginning in 2005, Eaton failed to file the required Employer's Quarterly Federal Tax Returns, Forms 941, with the IRS, and failed to pay over the federal income taxes and employment taxes withheld from the employees' paychecks to the IRS. The employees' payroll statements and the Forms W-2 showed that FICA and federal income taxes had been withheld from the employees' pay. The employees relied upon the Forms W-2 when filing their individual federal income tax returns; however, they were unaware that the income tax withholdings reflected on the Forms W-2 had not been paid. In June 2012, after Eaton had been contacted by an IRS Revenue Agent relative to an audit, Eaton filed delinquent Forms 941 for multiple income tax periods relative to the 2005 through 2011 income tax years.

Eaton used the money that was withheld from his employees' pay for his own personal living expenses and the living expenses of some of his family members, among other things.

As a result of his actions, Eaton willfully failed to truthfully account for and pay over to the IRS the employment taxes withheld from employees' pay for the first, second, and third quarters of 2009 and all four quarters of 2010 and 2011.

In addition, Eaton prepared and filed false individual income tax returns with the IRS for the 2008 through 2011 income tax years. The individual income tax returns were false in that they claimed federal tax withholdings as reflected on the Forms W-2 that Eaton knew had not been paid to the IRS.

As a result of Eaton's illegal conduct, the total tax loss to the IRS was approximately \$1,232,770.47.

"Business owners have a significant responsibility to collect and turn over all IRS withholding taxes," said Kathy A. Enstrom, Special Agent in Charge, IRS Criminal Investigation, Cincinnati Field Office. "Those who fail to do so to gain an unfair competitive advantage that will not be tolerated and will be prosecuted to the fullest extent of the law."

This case was prosecuted by Assistant United States Attorney Daniel A. Brown and was investigated by special agents of IRS-Criminal Investigation.

###